

<https://www.switzerland-family-office.com/relocation/moving-to-luxembourg.html>

Relocation to Luxembourg

Nestled between Belgium, France and Germany, lies the Grand Duchy of Luxembourg. Although the general public primarily knows Luxembourg as a financial centre focused on investment funds and wealth management, it is also considered an attractive jurisdiction to relocate to.

Since the launch of the Luxembourg investor visa programme, not only wealthy families from the neighbouring countries opt to relocate to Luxembourg, but also people from further away are showing an increased interest in the jurisdiction.



Luxembourg's history

Although well preserved remains of Celtic and Roman settlements are scattered about the country, the early recorded history of Luxembourg proper dates back to the 10th century and originates with the Fortress of Luxembourg. In the year 963, Count Siegfried built the Castle of Lucilinburhuc on a promontory above the River Alzette. This laid the foundation for the development of the Fortress of Luxembourg and the town which ultimately became Luxembourg City.

The fortress and later the town have, because of their location, always been a place of strategic military significance. Over the following centuries, the fortress changed hands between different royal families multiple times, as Luxembourg was often disputed territory.

After Napoleon was defeated in 1815, the Congress of Vienna accorded formal autonomy to Luxembourg and saw its transformation to a Grand Duchy. Although it became part of the German Confederation, the King of the Netherlands became head of state in his capacity as Grand Duke of Luxembourg, maintaining the personal union between the Netherlands and Luxembourg until 1890.

Upon the death of the Dutch King, William III, in 1890, the title to the Grand Duchy of Luxembourg passed to Adolph of Nassau-Weilburg. Adolph's descendants have since reigned over Luxembourg. Henri (full name Henri Albert Gabriel Félix Marie Guillaume) is the current Grand Duke of Luxembourg, reigning since 7 October 2000. Nowadays, Luxembourg counts over half a million inhabitants and, in terms of size, it is one of the smallest European nations.

Luxembourg's government & economy

Luxembourg is a representative democracy with a constitutional monarch. Henri, Grand Duke of Luxembourg, is the head of state. Luxembourg is the world's only remaining Grand Duchy.

Under Luxembourg's constitution (1868), executive power is exercised by the Grand Duke and a cabinet of several ministers. Legislative power is vested in the Chamber of Deputies. It consists of sixty members, who are directly elected from four constituencies. The Luxembourg government has its seat in Luxembourg City, which is also Luxembourg's capital.

Luxembourg has been one of the main driving forces behind the establishment of the European Union (EU). It is part of the Schengen area (actually the name Schengen refers to the Luxembourg village, Schengen, where the agreements to establish the Schengen area were signed) and the Euro is its currency. Luxembourg has three official languages: French, German, and Luxembourgish.

Luxembourg is one of the most affluent countries in the world. Its main economic pillar is the financial services industry. Fund management, private banking and insurance are among the most important financial services offered. Luxembourg is internationally regarded as a respected and well-regulated jurisdiction.

Taxes in Luxembourg

Luxembourg has a tax system which is comparable to that of most other countries in the EU. It taxes the worldwide income of its residents based on a progressive personal income tax rate.

- **Personal income tax:** Residents are taxed on their worldwide income and capital gains. All types of personal income and realised gains are taxed in Luxembourg at a progressive



rate up to a maximum of 42%. The highest tax rate applies to income exceeding 200,004. The income tax owed is increased by a 7% to 9% surcharge being a mandatory contribution to the Luxembourg employment fund. The maximum marginal rate you may have to pay is therefore 45.78%.

- **Wealth tax:** Luxembourg does not levy a net wealth tax.
- **Inheritance tax and gift tax:** Luxembourg levies both gift tax and inheritance tax. The applicable rates range from 0% to 48%, depending on the relationship of the parties to each other and the amount involved. For direct descendants, large amounts are completely exempt from tax and on the remainder basic applicable rates range from 0% to 5%. Depending on the actual wealth received, a multiplier of between 0.1 and 2.2 may apply. The spouse is completely exempt from inheritance tax.
- **VAT:** Luxembourg levies a Value Added Tax (VAT). The standard rate of VAT is 17%. Reduced rates of 3%, 8% and 14% apply to certain goods and services, such as food, gas and fuel. A small number of services is completely VAT-exempt, for example certain financial transactions.
- **Exit tax:** When you decide to leave Luxembourg and emigrate to another jurisdiction, Luxembourg does not levy an exit tax.

Special tax treatment of foreigners relocating to Luxembourg

Luxembourg does not offer a special tax regime to wealthy foreigners who want to immigrate to Luxembourg. However, certain types of Luxembourg wealth planning structures are available to structure assets in a highly tax-efficient manner. Foreigners would need to establish such structures before they actually relocate to Luxembourg.

Benefits of living in Luxembourg

Families who relocate to Luxembourg can establish themselves in Luxembourg City, or in the surrounding rural countryside situated primarily north of the city.

Luxembourg City is a relatively small city with just over 100,000 inhabitants. The relatively small population sustains this cosmopolitan city's human scale, preserving the romantic ambience created by the city's rich architectural heritage reminiscent of past ages. Indeed the entire old town and the fortifications are a UNESCO World Heritage Site.

The dramatic splendour of the Ardennes mountains dominates the northern part of Luxembourg, a region consisting of rugged terrain with extensive forests, rolling hills and ridges, where the 330 metre long vestiges of one of the world's surviving Roman aqueducts are still to be seen. Although these mountains do not rise higher than 700 meters, it is actually possible to enjoy some winter sports during cold winters.



Due to its geographic location, being not very far from the sea and close to the northern part of Europe, Luxembourg has an oceanic climate with cool (but not cold) winters and mild summers, normally without very high temperatures.

In view of the possibility to structure the family's wealth before relocating to Luxembourg, the absence of net wealth tax and very low effective rates with respect to gift tax and inheritance tax, Luxembourg is an attractive fiscal alternative, especially for residents from neighbouring jurisdictions.

Although Luxembourg is quite a small jurisdiction, it has its own airport (Luxembourg Findel Airport) offering regular flight connections to the majority of European capitals and, depending on the season, to an interesting selection of holiday destinations. Excellent highway connections exist between Luxembourg and the neighbouring countries.

The school system in Luxembourg is of good quality. Education is provided in Luxembourgish, German and French. Luxembourg has one university. Health care services are of good quality. The cultural and sports infrastructure is worthy of a continental European capital. Luxembourg definitely offers a quality of life second to none, particularly for families wishing to provide their children with the opportunity to be raised in a secure, affluent, multi-lingual and truly European environment.

Visas and residency permits

IF you are interested in relocation to Luxembourg, it is advisable to at least visit it first. EU, European Economic Area (EEA) and Swiss nationals do not need a visa to visit Luxembourg. Between Luxembourg and the other Schengen countries, which include all its direct neighbours, there are no effective border controls in place. You are nevertheless advised to carry a passport, or identification card when travelling there.

Non-EU nationals need a valid travel document to travel to Luxembourg and in most cases also a Schengen visa. As Luxembourg's airport has hardly any direct connections outside the EU, most visitors coming to Luxembourg will arrive via another EU jurisdiction. In the majority of cases, this European jurisdiction will also be a member of the Schengen area.

The Schengen visa needs to be valid throughout the stay in Luxembourg (or the remainder of the stay in the Schengen area). The holder also needs to have the financial means to pay for the stay and return trip and to be covered by a valid travel (health) insurance policy.

Foreigners in possession of a Schengen visa are allowed to remain in the Schengen area for a maximum of 90 days (spent over a period of 6 months). Those who want to remain longer must apply for a residency permit. In order to obtain employment, even for less than 90 days, a residency permit is always obligatory.



Becoming a resident of Luxembourg

Citizens from the EU, EEA and Switzerland

Nationals from EU jurisdictions, EEA jurisdictions and Switzerland do not need immigration permission to take up residency in Luxembourg. However, once they establish themselves in Luxembourg they nevertheless need to go to the local authorities (municipality) to file a residence declaration within the first three months after their arrival. Every member of the family needs to follow this procedure.

Non-EU citizens

Since early 2017, Luxembourg offers a specific investor visa programme for non-EU citizens. This programme makes it possible for wealthy non-EU citizens to obtain residency in Luxembourg under certain conditions.

The Luxembourg investor visa programme for non-EU citizens

Affluent individuals who wish to relocate to Luxembourg can apply for a Luxembourg residency permit for investors. An application must be submitted (and approved) before actually coming to Luxembourg.

Conditions to apply for the investor visa

The investor should invest in Luxembourg in one of the following ways:

1. He/she should invest at least **EUR 500,000** (minimum 75% own funds, maximum 25% borrowed funds) in an **existing company** having its registered office in Luxembourg and which is carrying on a commercial, craft or industrial activity, with a commitment to maintain that level of investment and the existing level of employment for at least five years; or
2. He/she should establish and invest at least **EUR 500,000** (minimum 75% own funds, maximum 25% borrowed funds) in a **new company** having its registered office in Luxembourg. The company should be engaged in a commercial, craft or industrial activity and the investor should be committed to creating at least five jobs in Luxembourg (in collaboration with the Employment Development Agency), within three years of the establishment of the company; or
3. He/she should invest at least **EUR 3,000,000** (minimum 75% own funds, maximum 25% borrowed funds) in an **existing or newly established investment and management structure** having its registered office in Luxembourg. The structure should maintain the appropriate (economic) substance in Luxembourg (it should have, among other things, at least two employees and its own office); or
4. He/she should invest at least **EUR 20,000,000** (100% own funds) in the form of a deposit **with one financial institution established in Luxembourg** (FOSS can support you with this through its motherhouse UBP, which has a presence in Luxembourg) and be committed to maintaining those funds in that financial institution for a minimum period of five years.



With respect to the necessary investments mentioned under point 1 and point 2, the exact sectors of the economy in which the investor is allowed to invest are defined by the Luxembourg authorities. The amounts invested must also be in line with the financing requirements of the business project submitted or with the valuation of the existing undertaking. Direct or indirect investments into real estate do not qualify for this purpose.

For all options, the investor (or his/her spouse or registered partner) must be the beneficial owner of the deposited or invested assets.

When the investment is approved, the investor qualifies for a residency permit for three years, subject to renewal. Family members (spouse and minor children) can apply for a residency permit at the same time as a family member.

The procedure

1. The non-EU investor wishing to apply for the Luxembourg investor visa must, before entering on Luxembourg territory, submit his/her investment case (as mentioned under point 1 and 2 above) to the Luxembourg Minister of Economy, or the project or proof of investment (as mentioned under point 3 and 4 above) to the Luxembourg Minister of Finance. Those Ministries will analyse the investment and inform the investor and the Ministry of Immigration if the investment qualifies.
2. Once the investment is approved and before his/her arrival in Luxembourg, the non-EU citizen needs to apply for a temporary authorisation to stay (90 days). This application needs to be filed with the *Direction de l'immigration - Service des Étrangers* in Luxembourg (the Immigration Office).

At least the following documents will need to be filed to apply:

- A certified copy of his/her passport
- Birth certificate
- An affidavit or police record

The documents should be provided in French, German or English. When drafted in another language, they should be translated by a sworn translator into one of the three languages. Where necessary, they should also be authenticated with an apostille certificate, or notarised by a competent authority in the applicant's place of residence.

Once the temporary authorisation to stay has been issued, the applicant must relocate to Luxembourg within 90 days (in most cases a Schengen visa should also be applied for). Within three days after arrival in Luxembourg, the applicant needs to go to the local authorities to file a declaration of arrival.

3. As a final step, after the investor has actually arrived in Luxembourg, an application for a residency permit must be filed with the Immigration Office within 90 days.

At least the following documents will need to be filed to apply:

- A certified copy (of all the pages with content) of the valid passport



- A certified copy of the temporary authorisation to stay
- A certified copy of the declaration of arrival issued by the Commune (municipality)
- A medical certificate issued by the Immigration Medical Department (it is required to undergo a medical examination by a doctor established in Luxembourg and a TB screening by the Health and Social Welfare League)
- A passport-size photo
- Proof of appropriate accommodation
- Proof of payment of the obligatory fee to the Immigration Office

The Luxembourg residency permit will not be issued when the amount of the investment has not been fully invested at the moment of applying for the residency permit. If the application for a residency permit is granted, it will be issued for a maximum of 3 years and can be renewed for an additional three years provided the conditions with respect to the investment are still met.

Already after 12 months, the Luxembourg authorities will audit the investor and his/her investment to check whether the investment is indeed in place and all the conditions are (still) met. In case the conditions are not met, the Luxembourg residency permit can be withdrawn.

After 5 years of lawful stay in Luxembourg, non-EU citizens are entitled to apply for long-term resident status in Luxembourg.

Luxembourg citizenship

A short-track or easy procedure for foreigners to obtain Luxembourg citizenship does not exist. There is also no special citizenship programme.

A foreign citizen can apply for Luxembourg citizenship if he/she has been living in Luxembourg for at least seven years (consecutively and immediately preceding the application) and provides proof of sufficient integration in the jurisdiction:

- The applicant needs to be at least 18 years of age,
- Speak the Luxembourg language (and demonstrate sufficient active and passive knowledge of at least one of the official Luxembourg languages),
- Must have followed at least three Luxembourg citizenship courses, and
- Be of good reputation.

In order to acquire Luxembourg nationality you do not need to relinquish your own nationality. Thus, it is possible to hold dual citizenship once the Luxembourg passport has been obtained. The request for Luxembourg citizenship may be rejected.

Leaving your home country and immigrating to Luxembourg

Luxembourg can be an attractive location for families from neighbouring countries and non-EU families looking for an alternative jurisdiction.



When you arrive in Luxembourg with the intention to stay, you are considered to be a resident of Luxembourg as of the moment of arrival. Although Luxembourg is clearly not a tax haven, when relocating there, you still need to keep in mind that actually leaving the former home jurisdiction is often a bigger challenge than taking up residency in Luxembourg.

Careful consideration and professional planning are often necessary to prevent being confronted with exit taxes in your former home jurisdiction, or a situation where the move out of the country is not legally recognised, particularly for tax purposes.

Taking the step

Families, who consider immigrating to Luxembourg in order to settle there, are advised to seek the support of a (local) private bank, their multi-family office, or a dedicated legal advisor to guide them through the process. If you would like to receive additional information about the benefits and possibilities of relocation to any given jurisdiction, please do not hesitate to contact us. We look forward to supporting you*.

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* UBP's dedicated team of tax and wealth planning experts have in-depth knowledge of this topic and maintain an extensive network of highly qualified tax and law firms worldwide, as well as corporate and accounting service providers, and relocation and citizenship specialists, who all together will help you to put your troubles and headaches aside and truly enjoy your relocation.

Disclaimer:

The information that is provided on this page with respect to the tax system and residency criteria is of general nature and should not be perceived as (tax or legal) advice, or the solicitation of tax or legal services. Although all information is regularly updated, some facts could be outdated.



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